OMB Proposed Uniform Grants Regulation

Potential Impacts on MPOs and Transportation Community

Comments Due: 7/13/2026 **| Docket:** **OMB-2026-0034** **| Proposed Effective Date:** 10/1/2026

The Big Picture

On May 29, 2026, the Office of Management and Budget (OMB), USDOT, and more than 30 other federal agencies issued a 108-page **sweeping proposed rule** that would rewrite the government-wide framework for managing federal financial assistance including grants, cooperative agreements, and related forms of federal funding. The "**Improving Oversight of Federal Grantmaking**" 2025 Executive Order, is a key driver of the proposal and directed OMB to revise several aspects of the government-wide grants framework.

Many of the policy changes in this proposal build on executive orders, agency directives, and other administrative actions issued over the past two years. In that sense, many pieces of the rule are not entirely "new." What makes it significant is its breadth: OMB is proposing to consolidate many of those policies into a single, government-wide regulation that would apply across federal-financial assistance programs and agencies.

OMB describes the proposal as an effort to strengthen transparency, accountability, and oversight while reducing certain administrative burdens. The rule would also formalize a significant structural change: OMB proposes to replace the familiar **Uniform Guidance** with a more explicitly binding "**Uniform Grants Regulation**" (UGR).

The proposal is not final. **Comments are due by July 13, 2026, and OMB is seeking to finalize the rule with an effective date of October 1, 2026**.

The rule would not rewrite federal transportation statutes or directly change highway and transit apportionment formulas, eligible project categories, or statutory suballocation requirements. However, it could materially change how federal transportation funds are awarded, administered, documented, passed through to subrecipients, and used for certain activities.

For MPOs, state DOTs, local governments, transit agencies, and other recipients of transportation funds, the biggest questions are not only about competitive grants. Many of the proposed administrative requirements appear to apply more broadly across federal financial-assistance programs, including formula funds.

The proposal is not solely focused on adding new oversight requirements. It also includes several potentially helpful streamlining reforms, particularly at the front end of the competitive-grant process. The practical value of these changes will depend heavily on how USDOT, FHWA, and FTA implement them.

TL;DR

- **Formula funds appear to retain important protections, but they are not entirely unaffected.** Statutory formula awards generally appear protected from the proposal's expanded discretionary termination and suspension provisions. However, many new administrative, reporting, payment, and compliance requirements could still apply.
- **Uncertainty for discretionary grant awards.** The proposal would clarify that federal agencies may suspend or terminate discretionary awards after they have been made if an agency determines that the award is no longer effective at advancing program goals or agency priorities, or is otherwise no longer in the federal government's interest. This could create added uncertainty for recipients relying on competitively awarded funds, particularly for multi-year transportation projects that require stable federal commitments.
- **Attending conferences and paying dues could become harder to fund.** Conference costs would be allowable only if the federal agency expressly approves participation and includes that approval in the award terms and conditions. Professional memberships would require prior written federal-agency approval. Subscriptions to professional and technical periodicals would become unallowable.
- **The rule introduces a broad "reputational risk" standard.** Pass-through entities, such as state DOTs, would need to ensure that subrecipients do not take actions that could "significantly damage" the reputation of the pass-through entity, the federal agency, or the federal government. The rule does not clearly define this standard.
- **Recipients and subrecipients would need to participate in E-Verify.** The rule would require recipients and subrecipients to use the Department of Homeland Security's (DHS) E-Verify program to confirm the employment eligibility of employees and contractors hired in or performing work in the United States under a federal award. Implementation questions remain, particularly for consultants, subcontractors, and locally administered projects.
- **COG-housed MPOs could lose simplified overhead treatment.** The current rule allows COGs to include up to 50 percent of certain chief-executive and staff costs attributable to federal-program management in an indirect-cost calculation without documentation. The proposal would remove that COG-specific treatment, potentially creating additional documentation and administrative burdens for regional entities.
- **New restrictions could create uncertainty around certain equity-related activities.** The rule restricts use of federal funds for "unlawful DEI" practices and "theories of disparate-impact liability." The proposal is not a blanket prohibition on demographic analysis or required civil-rights activities, but transportation awardees may need additional clarity on implementation.
- **Some changes could make the federal grant process easier to navigate.** The rule encourages agencies to use multi-year awards where legally permissible, which could reduce repetitive applications and provide more predictable funding for longer-term work. It also directs agencies to simplify NOFOs, use plain language, rely on Grants.gov as a standardized application platform, consider short Statements of Interest before requiring full applications, and avoid imposing unnecessary up-front requirements on applicants.

The overall impact is mixed. Several provisions are intended to streamline the front end of the grant process and improve access for applicants, particularly smaller entities with limited grant-writing capacity. At the same time, the rule could create substantial new documentation, oversight, and compliance requirements once an award is made.

Breakdown of Proposed Uniform Grants Regulation

1. From "Guidance" to "Regulation"

The current 2 CFR Part 200 framework is commonly called the Uniform Guidance. Although agencies apply it through their own regulations and award terms, the existing framework technically describes the OMB text as "guidance, not regulation."

OMB proposes to remove that distinction and rename Part 200 the "Uniform Grants Regulation." Future government-wide OMB revisions would generally **become effective across federal agencies on a single date after OMB completes its notice-and-comment rulemaking process**. USDOT and other agencies would not ordinarily need to conduct separate rulemakings to readopt each future OMB revision.

Note: This change could improve consistency across federal programs and make it easier for recipients and auditors to identify the rules that apply across federal programs. However, it would also further centralize policy authority at OMB and could reduce opportunities to address transportation-specific implementation issues through separate USDOT rulemakings.

2. Termination for Discretionary Awards

One of the most significant proposed changes is the expansion of termination authority under 2 CFR 200.340. The proposed rule would allow a federal agency or pass-through entity, to the extent permitted by law, to terminate an award in whole or in part when it determines that termination is in its interest, including when the award:

> *"does not effectuate program goals, Federal agency priorities, or the national interest as they exist at the time of the termination."*

This is broader than termination for noncompliance. It would allow agencies to reconsider discretionary awards based on federal priorities or the national interest as those priorities evolve over time. OMB explains that federal agencies should not be required to continue funding projects that "do not best serve program goals, Federal agency priorities, or the public interest more broadly." This provision directly implements Executive Order 14332, "**Improving Oversight of Federal Grantmaking**."

The proposal would also allow agencies and pass-through entities to temporarily suspend award activities through a written stop-work order. The suspension could last up to 90 days unless extended by mutual agreement.

Provision	CFR Section	Key Point
Termination for policy reasons	§ 200.340(a)(2)	An agency may terminate an award if it "does not effectuate program goals, Federal agency priorities, or the national interest."
Temporary 90-day stop-work orders	§ 200.340(e)	Award activities may be suspended for up to 90 days unless the parties mutually agree to extend the suspension.

Costs after termination	§ 200.343(b) and § 200.472(a)	Reimbursement of costs incurred after termination notice is left to agency discretion, not guaranteed. Costs incurred before termination follow standard cost principles at § 200.472(a)
Formula program protections	§ 200.340(b)(2)	Exceptions clause. The discretionary termination provision generally does not apply to statutory formula programs, block grants, or disaster-recovery grants.
IIJA Division F excluded	§ 200.340(b)(2)	Awards under Division F of the IIJA are also excluded. This primarily affects broadband-related programs, not core highway and transit formula funds.

Note: For USDOT competitive grants, the proposal could create additional uncertainty after an award is announced or executed. An MPO or other recipient of these funds could comply with the original award terms but still face termination if the agency later determines that the project no longer advances current federal priorities or the national interest. Even where previously incurred allowable costs remain reimbursable, termination could create stranded expenses, disrupted consultant agreements, local-match complications, TIP/STIP amendment challenges, and project delays.

3. Additional Senior-Level Review of Competitive Grants

The proposal would formalize a new pre-issuance review process for discretionary awards. Federal agencies would need to ensure that selected proposals are consistent with applicable law, federal-agency priorities, and the national interest. The senior-level review process builds directly on Executive Order 14332.

Senior appointees would conduct reviews to assess whether proposed awards advance the President's policy priorities. Peer review and technical evaluation would remain relevant, but the rule clarifies that peer review is advisory and does not replace agency discretion. The proposal also notes that issuing a NOFO does not obligate an agency to make an award.

4. Conferences and Professional Development Would Require Express Approval

Two separate provisions (i.e., 2 CFR 200.432(b) and 200.454) significantly restrict how federal funds can be used for professional activities.

Activity	Proposed Treatment
Conference attendance	Allowable only if participation is expressly approved by the federal agency and included in the award terms and conditions.
Professional memberships	Allowable only if the membership is necessary to fulfill award requirements and receives prior written federal-agency approval.

Subscriptions to professional/technical periodicals	Unallowable. This includes business, professional, academic, and technical periodicals.

What Needs to Be Clarified: The rule does not clearly explain whether FHWA or FTA could approve broad categories of conferences or professional memberships in advance, whether state DOTs could approve these costs for MPOs receiving pass-through funds, or whether each activity would require a separate award amendment.

5. A Broad "Reputational Risk" Standard for Subrecipients

Under proposed 2 CFR 200.332(i), pass-through entities would need to ensure that each subrecipient complies with the terms of the subaward and:

> *"does not take actions that could significantly damage the reputation of the pass-through entity, the Federal agency making the award, or the Federal Government."*

If a pass-through entity determines that a subrecipient has taken such an action, it would need to consult with the federal agency regarding whether the subaward should be terminated. The federal agency could direct the pass-through entity to terminate the subaward or terminate the underlying federal award to the pass-through entity.

Note: The proposal does not define "significant reputational damage." It also does not expressly state that the relevant conduct must be connected to the federal award. For transportation programs, this could place state DOTs and other pass-through entities in the difficult position of evaluating the conduct of MPOs, local governments, transit agencies, and other subrecipients under a vague standard.

6. E-Verify Requirements for Federally Funded Work

Under proposed 2 CFR 200.303(f), recipients and subrecipients would be required to participate in the Department of Homeland Security's E-Verify program. OMB states that the program would be used to confirm the employment eligibility of:

> *"employees and contractors hired in or performing work in the United States under a Federal award."*

If a recipient or subrecipient receives a Final Nonconfirmation notice through E-Verify, it would need to provide the notice, case-verification number, and confirmation of appropriate follow-up actions to the federal agency or pass-through entity. Failure to provide notice or take appropriate action could result in termination of the award.

Who or What Is Affected	Proposed Requirement or Key Question
Recipients and subrecipients performing federally funded work	Must participate in E-Verify and confirm employment eligibility for covered workers (§ 200.303(f))

Consultants and subconsultants on federal awards	The proposed language includes contractors, but implementation details are unclear. Additional guidance is also needed regarding how requirements flow through contracts and subcontracts.
Final Nonconfirmation (FNC) received	The recipient or subrecipient must report the notice, case-verification number, and follow-up actions to the federal agency or pass-through entity (§ 200.303(f)(2))
Failure to take appropriate action	Could result in termination of the award.

7. New Payment Verification and Documentation Requirements

The proposal would add new controls governing the disbursement of federal funds, including:

- **Federal-Agency Verification:** Before disbursing any federal payment, the federal agency would need to review available eligibility information through the Treasury Department's Do Not Pay (DNP) system.
- **States as Recipients (§ 200.303(g) / § 200.305):** States receiving federal financial assistance would also need to conduct pre-payment verification before disbursing federal award funds. States could use the Treasury Department's DNP system or another screening process that protects against improper payments. Rule states that states must:

    "review available data sources with relevant information to verify the eligibility of payees and prevent improper payments."

- **For Recipients and Subrecipients Other Than States (§ 200.305(c)):** Payment requests must include a brief written justification describing the purpose of the payment and the specific award-related work it supports. (Takes effect once federal systems are in place, not immediate).

The written payment-justification requirement is tied to Executive Order 14222, "**Implementing the President's 'Department of Government Efficiency' Cost Efficiency Initiative**." OMB states that the requirement is intended to provide greater visibility into the purpose of federal disbursements and the specific award-related work supported by each payment request.

8. COGs Could Lose a Simplified Indirect Cost Option

The proposed revision to 2 CFR 200.444 would change how Councils of Governments (COGs) may recover certain costs associated with managing and operating federal programs.

Under the current rule, states, local governments, and Indian Tribes generally may not charge broad "general costs of government" to federal awards. These include expenses associated with executive offices, legislative bodies, courts, prosecutors, and general public services such as police and fire departments. However, the current rule includes a limited exception for Indian Tribes and COGs:

> *"Indian Tribes and Councils of Governments (COGs) … may include up to 50 percent of salaries and expenses directly attributable to managing and operating Federal programs by the chief executive and their staff in the indirect cost calculation without documentation."*

OMB proposes to remove the COG-specific exception and add a clearer definition of general government costs.

Issue	Current Rule (§ 200.444)	Proposed Change
General costs of government	Broad costs associated with operating state, local, and Tribal governments are generally unallowable.	The general rule remains in place
Definition of general government costs	The current section lists examples of unallowable costs.	OMB would add a clearer definition covering general executive, legislative, and judicial activities, as well as general public services that are not related to a specific federal award.
Simplified treatment for COGs	COGs may include up to 50% of certain chief-executive and staff costs attributable to federal-program management in an indirect-cost calculation without documentation.	The COG-specific simplified treatment would be removed.

Executive Order 14332 directed OMB to revisit government-wide policies for indirect-cost recovery under discretionary grants. The proposed removal of the COG-specific simplified treatment could potentially be tied to that broader review, although the executive order did not specifically direct OMB to eliminate the COG provision.

Note: The proposal does not necessarily make all executive-management costs unallowable. However, COGs could lose the ability to include up to 50 percent of qualifying executive and staff costs in an indirect-cost calculation without documentation. For MPOs housed within COGs, regional councils, and similar entities, this could create additional administrative burdens. Organizations relying on the existing simplified provision may need to adopt more detailed timekeeping, cost-allocation, or documentation procedures to support costs associated with managing federal programs.

9. New Fixed-Amount Awards and Subawards Would Generally be Eliminated

Section 200.201(b) would generally prohibit new fixed-amount awards and fixed-amount subawards unless they are expressly authorized by federal statute. A fixed-amount award provides a set amount of funding based primarily on completion of agreed-upon work or milestones, rather than reimbursement of each actual cost incurred. These arrangements can reduce paperwork, but OMB argues that they may also limit transparency and oversight because they involve less routine monitoring of actual costs.

Future agreements may require more detailed cost documentation and reimbursement procedures.

Note: The rule explicitly states this change "is not intended to impact any existing fixed amount awards or subawards issued prior to the effective date." Current fixed-amount arrangements remain intact. Additionally**, the majority of USDOT awards are cost-reimbursable not fixed amount**.

10. Restrictions on Equity-Related Activities

The proposal includes several provisions related to nondiscrimination and the use of federal funds, including:

- **Proposed 2 CFR 200.300(b)** would prohibit federal award funds from being used to fund, promote, encourage, subsidize, or facilitate practices that violate applicable federal antidiscrimination laws. The provision specifically addresses unlawful DEI practices, including racial preferences or other forms of racial discrimination.
- **Proposed 2 CFR 200.218** would separately restrict the use of federal awards to promote or support theories of disparate-impact liability. The rule would permit certain internal analysis when the work is not funded by the federal award and is not used in connection with award activities.

These provisions reflect several executive actions issued since January 2025, including Executive Orders 14151, 14173, and 14281. Collectively, those orders directed agencies to end “unlawful discrimination” and “identity-based preferences” in federal programs and emphasize merit-based decision-making. The proposed rule would place portions of that policy direction into the government-wide grants framework.

Note: The proposal is not a blanket prohibition on demographic data collection or transportation-planning analysis. MPOs, states, and transit agencies remain responsible for complying with applicable civil-rights laws and transportation-planning requirements. However, the breadth of the proposed language could create uncertainty for agencies’ equity-related work.

11. Procurement and Contracting Changes

The proposal would revise several procurement requirements that may affect transportation recipients, including MPOs, local governments, state DOTs, and other project sponsors.

Proposed Change	CFR Section	Potential Impact
Additional documentation for material costs under time-and-materials contracts	§ 200.318	Recipients may need to maintain more detailed records and show that material costs are supported by documentation and priced consistently with market rates.
Cost-reimbursement contracts “strongly discouraged”	§ 200.320	

Federal-agency notification and written justification for cost-reimbursement contracts	§ 200.320	Recipients would need to notify the awarding federal agency and maintain a written justification when using a cost-reimbursement contract.
Federal agencies may require prior approval for cost-reimbursement contracts	§ 200.320	Some procurements could require an additional federal review step before moving forward.
Domestic-preference requirements (e.g., Buy America requirements) may expand for certain non-infrastructure awards	§ 200.322(a)	Agencies would need to determine whether broader domestic-content requirements are legally available and practicable for a particular program.
Restrictions on prohibited unmanned-aircraft systems	§ 200.216	Recipients may need to review procurement and operational practices involving drones and related equipment.

12. Streamlining and Applicant Access Provisions

Although the rule could create significant new oversight and compliance requirements overall, it also includes several provisions that could be helpful from a streamlining and applicant-access perspective. The most useful changes for MPOs and local governments are concentrated at the front end of the grant process: allowing multi-year awards, simplifying NOFOs, reducing unnecessary application work, encouraging longer-term awards, and creating a more standardized process for identifying and applying for opportunities.

Proposed Change	CFR Section	Potential Impact
Encourages agencies to structure programs as **multi-year awards with budget periods longer than one year**, where legally permissible, rather than issuing separate annual funding opportunities.	§ 200.202(f)	Could reduce repetitive applications and provide more predictable funding for complex, multi-year transportation planning and project-delivery activities.
Requires agencies to **post discretionary funding opportunities on Grants.gov** and generally require applications through the same platform.	§ 200.204(a)(1)–(2)	Creates a more standardized "front door" for identifying and applying for federal grants, reducing the need to track multiple agency portals.
Requires agencies to **write NOFOs in plain language, limit unnecessary length and complexity**, and avoid designing applications that require technical or legal consultants merely to complete them.	§ 200.204(a)(3)	Could make federal funding opportunities more accessible to smaller MPOs and local governments with limited grant-writing capacity.
Strongly encourages agencies to **use short Statements of Interest before requiring a full application** when high application volumes or lengthy proposals are expected.	§ 200.204(c)	Could prevent applicants from spending significant time and resources preparing full applications with a low likelihood of selection.

Requires **clearer timelines, including anticipated award dates where possible, and generally preserves at least a 30-day minimum application window** unless the agency documents exigent circumstances.	§ 200.204(d), (e)	Could improve predictability and reduce the problem of rushed application periods.
Directs agencies to **consider whether program-specific requirements must be satisfied at the application stage** or could instead be required only after selection.	§ 200.204(f)(3)	Could reduce unnecessary up-front work for unsuccessful applicants.
Requires agencies to **periodically review their own programmatic and administrative requirements** to identify unnecessary requirements not mandated by law or the regulation. Agencies should update OMB annually on requirements removed.	§ 200.207(c)	Creates an ongoing mechanism for eliminating agency-specific red tape beyond this rulemaking.

The proposed § 200.204 revisions are particularly notable. In addition to requiring plain-language NOFOs and encouraging Statements of Interest, the proposal directs agencies to make opportunities more accessible to inexperienced applicants, make pre-application technical assistance broadly available, and consider whether administrative requirements can be deferred until after an applicant is selected.

These reforms could be especially helpful for smaller MPOs, local governments, and regional entities that may not have dedicated grant-writing teams or the capacity to prepare lengthy applications for every competitive program. However, many of the provisions are framed as encouragements or best practices rather than firm recipient protections. Their practical impact will depend on how consistently USDOT and other agencies incorporate them into future funding opportunities.

Potential Downstream Impacts: States, MPOs, and Local Governments

State DOTs as Pass-Through Entities

State DOTs are likely to face some of the most significant implementation responsibilities. Depending on the program structure, states may need to:

- Conduct pre-payment verification checks before disbursing federal award funds
- Update reimbursement systems and procedures
- Report subawards through SAM.gov no later than the end of the month following the month in which the subaward was issued
- Classify downstream entities, including affiliates, subsidiaries, and related organizations, as subrecipients or contractors
- Monitor subrecipient compliance
- Address E-Verify implementation
- Evaluate potential reputational-risk issues
- Consult with FHWA or FTA when termination questions arise

The cumulative burden could be significant. States may need to update systems, agreements, and guidance for local recipients, potentially creating delays during implementation.

MPOs and Local Governments

MPOs may need to:

- Review how federal planning funds are used for conferences, professional memberships, and subscriptions
- Determine whether association dues require prior written federal approval
- Review reimbursement procedures and prepare more detailed payment justifications
- Evaluate E-Verify implementation for employees and contractors performing federally funded work
- Review consultant and subrecipient agreements
- Clearly document the relationship between outreach activities and award requirements
- Carefully review competitive-grant terms for termination and suspension language
- Assess whether COG-based administrative-cost recovery practices would be affected (for MPOs housed within COGs)

Local governments administering federally funded transportation projects may need to:

- Update procurement documents, requests for proposals, and contracts
- Review consultant and contractor compliance procedures
- Provide more detailed reimbursement documentation
- Review communications and outreach costs
- Prepare for potential state-level payment-verification procedures
- Carefully assess the terms and conditions of competitive awards

MPOs and local governments may also benefit from multi-year awards and several of the proposed grant applicant-access provisions.

Comments Due: July 13, 2026

Suggested Comment Priorities (Due July 13, 2026)

- **Conference and professional development:** The requirement for express federal approval of conference attendance could create unnecessary administrative burdens for MPOs and state DOTs. OMB and USDOT should allow agencies to approve reasonable categories of transportation conferences, training programs, peer exchanges, and professional-development activities in advance rather than requiring separate approval or award amendments for each event.
- **Professional memberships.** Professional memberships frequently provide technical assistance, regulatory updates, training, and peer exchange that directly support MPO responsibilities. OMB and USDOT should allow blanket or category-based approvals for memberships that support federal award requirements.
- **Administrative burden and project delivery.** New payment, reporting, and compliance requirements could create bottlenecks that slow reimbursements, force local entities to

cover expenses temporarily, increase staff workload, and delay project delivery. OMB should consider streamlined procedures, clear implementation timelines, and proportionate requirements for smaller recipients with limited administrative capacity.

- **Reputational risk standard.** The proposal's reputational-risk language is subjective and could be difficult to apply consistently. OMB should replace the provision with objective, award-related criteria and clear procedural protections for recipients and subrecipients.
- **COG cost provision.** OMB should retain the existing simplified cost treatment for Councils of Governments or provide an alternative approach that recognizes the operating structure of regional entities.
- **Support multi-year awards and a simpler grant process.** The proposal's emphasis on multi-year awards, plain-language NOFOs, standardized use of Grants.gov, Statements of Interest, clearer application timelines, and deferring unnecessary administrative requirements until after project selection is helpful. These reforms could reduce repetitive application work, improve predictability, and make federal funding opportunities more accessible to MPOs and local governments with limited staff capacity. OMB and USDOT should retain these provisions in the final rule and, where appropriate, establish clear expectations for agencies to use them consistently, particularly for high-volume competitive programs.
- **Civil rights and planning clarity.** USDOT should clearly confirm that the proposed rule does not prevent MPOs, states, transit agencies, and local governments from carrying out required Title VI compliance, demographic analysis, public participation, and lawful transportation-planning activities.
- **E-Verify implementation.** OMB and USDOT should provide clear guidance on how E-Verify applies to existing staff, contractors, consultants, subconsultants, and locally administered transportation projects.
- **Transportation-specific guidance from USDOT.** Because the rule is written for a broad federal audience, it does not fully address the unique pass-through and reimbursement structure of federal highway and transit programs. USDOT, FHWA, and FTA should issue transportation-specific implementation guidance before the final rule takes effect.

How to Submit Your Own Comments

Submit at: regulations.gov

Docket: OMB-2026-0034

Deadline: **July 13, 2026**

Direct examples of how the proposed requirements would affect MPO operations, staff time, reimbursement processes, professional development, and project delivery could help strengthen the public record. AMPO will continue engaging with USDOT, FHWA, and FTA to seek transportation-specific clarification as the rulemaking moves forward.

This analysis is based on the proposed rule published in the Federal Register on May 29, 2026. It reflects AMPO staff review of the proposed regulatory text and is intended to help member MPOs understand potential impacts. The proposal is not final. This document is not legal advice or formal compliance guidance. Members should consult their legal counsel regarding specific legal or compliance questions.

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